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PUBLIC STATEMENT  
BY  
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TO THE  
ACQUISITION ADVISORY PANEL  
ON THE  
PBA WORKING GROUP RECOMMENDATIONS  
ADOPTED BY THE PANEL ON MARCH 29, 2006

MAY 8, 2006

In the paragraphs which follow, I address each of the PBA Working Group recommendations that the Advisory Panel adopted on March 29, 2006.

**Recommendation 1 — OMB’s government-wide quota of requiring 40% of acquisitions be performance-based should be adjusted to reflect individual agency assessments and plans for using PBA.**

I am not sure what this recommendation means, exactly, or, whatever it means, how it is to be done. But I am sure that directing agencies to produce annual assessments and plans will be greeted as a nuisance and produce unrealistic objectives. A rational decision to use or not use PBA for an acquisition can be made only on a case-by-case basis.

The Advisory Panel should change this recommendation. The recommendation should be for OMB to stop setting annual government-wide goals for the use of PBA, because there is no rational basis for setting goals annually on a government-wide basis.

**Recommendation 2 — OFPP should issue more explicit guidance and create a PBA “opportunity assessment” tool to help agencies identify when they should consider using performance-based acquisition.**

This recommendation has two parts: (1) issue “more explicit” guidance, and (2) create an “opportunity assessment” tool.

Before OFPP can issue “more explicit” guidance about when to use PBA, it must fully explicate the concept of PBA, both for itself and for others, and then consider what factors affect its practicability. OFPP cannot better provide guidance to agencies about when to use PBA until it understands: (a) what PBA is, and, on that basis, (b) when it can be put to use. The Advisory Panel

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should recommend that OFPP think the concept through, explicate its component ideas, and think about the implications of those ideas for the practicability of implementation.

The second recommendation is too vague to comment about. What is the Working Group's notion of this "tool"? Is it a checklist, or something more sophisticated? Who is to be the intended user? What does the Working Group mean when it says: "identify when they should *consider* using performance-based acquisition"? Is the tool supposed to help agencies decide when to think about using PBA, or when to use it?

**Recommendation 3 (Withdrawn) — No comment.**

**Recommendation 4 — Publish a best practice guide on development of measurable performance standards for contracts.**

We do not need yet another "best practices" guide. What we need is a practical handbook of elementary instruction, written for folks at the working level. The handbook must explain: (1) the concept of measurement, (2) the concept of scales of measurement, (3) the various types of measurement scales on which standards may be based, (4) how to construct a scale when no natural scale exists, (5) the component elements of a standard, (6) the various types of standards, and (7) the difference between a quantitative standard and a standard that uses numbers non-quantitatively.

PBA cannot succeed, even when practicable, without better and standardized instruction to the working level about how to develop measurable performance standards. The instruction must be specific, detailed, and clearly written.

**Recommendation 5 — Modify the FAR to include an identification of the Government's need/requirements by defining a "baseline performance case" in the PWS or SOO. OFPP should issue guidance as to the content of the baseline performance cases.**

This is a very poor recommendation, if for no other reason than that the Working Group does not explain what it means by "baseline performance case." A Google search for "baseline performance case" yielded only the PBA Working Group's briefing, so it seems that they have coined a new term.

But more importantly, when people do not understand and cannot do a thing, you do not help them understand and do it by giving them yet another thing to understand and do. This recommendation suggests that the Working Group is out of touch with working level reality. "Baseline performance case" is consultantese. The Advisory Panel should reject this recommendation.

**Recommendation 6 — Improve post-award contract performance monitoring and management, including methods for continuous improvement and communication through the creation of a contract-specific "Performance Improvement Plan" that would be appropriately tailored to the specific acquisition.**

Another day, another plan; another document to cut and paste. More paperwork for an already

overly burdened workforce. Who is going to prepare this plan? The same people who cannot now produce a PWS and a quality assurance surveillance plan? The Working Group is out of touch. The Advisory Panel should reject this recommendation.

**Recommendation 7 — OFPP should provide improved guidance on types of incentives appropriate for various contract vehicles.**

This recommendation is inadequate. OFPP must issue improved guidance not just on the types of incentives that are appropriate, but on incentives generally. The information in FAR Subpart 16.4 is entirely inadequate, as is the information in the *Contract Pricing Reference Guides*. The guidance issued by individual agencies is inconsistent and reveals that we do not have a well-developed theory of contractual incentives, especially award-fee incentives, which are the most popular.

Most acquisition folk do not understand incentives, know when to use them, know how to use them, or know how to design them, as can readily be seen by reading inspector general and GAO reports. See, e.g., *Defense Acquisitions: DOD Has Paid Billions in Award and Incentive Fees Regardless of Acquisition Outcomes* (GAO-06-66, Dec. 19, 2005). The Advisory Panel should tell the Working Group to expand upon this recommendation.

**Recommendation 8 — OFPP should revise the Seven Step process to reflect the panel's new PBA recommendations.**

Okay, but the Advisory Panel should consider that the much-vaunted Seven Steps has not been successful at helping agencies do PBA. If it had, there would be no need for a PBA Working Group. The Panel should consider the possibility that Seven Steps should be reconsidered.

**Recommendation 9 — Contracting Officer Technical Representatives (COTR's), in PBAs receive additional PBA training and be re-designated as Contracting Officer Performance Representatives (COPR's)**

I suppose that when you cannot think of anything else to do, changing a job title is better than doing nothing at all. That part of this recommendation is pointless, even silly, and does not befit such a distinguished panel.

As for training — before anyone is sent to any more training, the people who advocate PBA should be required to think their ideas through and explicate them clearly, *which they have not done*. People cannot be effectively trained, and PBA cannot work and will not work, until its advocates can explain the concept in terms understandable to folks at the working level and can give them practical instruction about how to do the job.

**Recommendation 10 — Improved Data on PBA usage and enhanced oversight by OFPP on proper PBA implementation using an "Acquisition Performance Assessment Rating Tool" A-PART.**

This recommendation has two parts: (1) improved data and (2) enhanced oversight. We can al-

ways use improved data. As for enhanced oversight, OFPP is not staffed to provide it and is not likely to get more staff. The Working Group does not explain its notion of an A-PART, but I suspect that it entails yet more work for the folks at the working level, more time spent entering data into a computer instead of doing real contracting work. The Advisory Panel should reject the part of this recommendation that would require development of an “A-PART” if it requires the working level to do more data entry and reporting.

**Recommendation 11 — OFPP should undertake a systematic study on the challenges, costs and benefits of using performance-based acquisition techniques five years from the date of the Panel’s delivery of its final report.**

Any such study should be done by an independent and respected organization — such as Rand Corporation — and be based on documented and verifiable data about service costs and quality. Another study like OFPP’s 1998 report about its performance-based contracting pilot program, which was based on undocumented and unverified agency “success stories,” will be useless. The Advisory Panel should clarify the recommendation and emphasize the need for an independent study.

### **Conclusion**

The most important factors in the failure of PBA have been: (1) the failure to clearly and thoroughly explicate the idea to the people who must put it into practice and (2) the failure to provide those people with clear, practical, and standardized instruction about how to do it. These failures must be laid at the feet of the people who promulgated and have pushed PBA since 1991.

The Working Group has made recommendations that will require already overworked, poorly trained, and confused people to produce yet more paper in an effort to do a better job of implementing a half-baked idea. In their totality, the recommendations reflect a complete lack of insight into the realities of life for working level people in working level acquisition offices, of the realities of government service contracting, and of the sources of difficulty in the implementation of PBA. I find their recommendations to be astonishingly poor, especially in light of the fact that they are coming from a panel of distinguished membership that has been at work for more than a year.

I urge the Advisory Panel to: (a) withdraw its adoption of recommendations 5 and 6, and of that part of 10 that proposes an “A-PART,” and (b) send the PBA Working Group back to the drawing board to clarify, expand upon, and modify recommendations 1, 2, 4, 7, and 11.

I also urge the Advisory Panel to recommend that OFPP develop a practical, detailed handbook of elementary instruction, written for people at the working level, about how to do PBA. The handbook should contain, at a minimum, the following:

1. an explanation of the concept of a *service*;
2. an explanation of the concept of a *service result*;
3. descriptions of the different types of service results (e.g., tangible and intangible, durable and short-lived, directly observable and observable only by proxy, etc.);

4. an explanation of *measurement* in the context of PBA;
5. an explanation of *measurement scales*;
6. descriptions of the different types of measurement scales (e.g., interval and ratio, continuous and discrete, natural and constructed, etc.);
7. instructions on how to construct a scale when there is no natural scale;
8. an explanation of *measurable performance standard*;
9. descriptions of the different types of standards (e.g., process and result, variable and pass-fail);
10. descriptions of the various techniques that may be used to control and assure the quality of services and guidance on when to use them (e.g., statistical process control, direct inspection, inspection of proxies, AQL systems for lot-by-lot acceptance sampling by attributes, other procedures for acceptance sampling by attributes, systems for acceptance sampling by variables, and acceptance sampling from continuous performance);
11. instructions on how to conduct a service needs analysis and how to establish service requirements;
12. a government-wide standard format for a PWS and a description of the general content of each section;
13. a PWS manual of style;
14. a government-wide standard format for a quality assurance surveillance plan and a description of the general content of each section;
15. instruction on how to document inspections; and
16. instructions on what actions to take when services are found to be unacceptable.

This should be the keystone PBA recommendation of the Advisory Panel. A thorough and clear explication of PBA and a top-notch, practical handbook of detailed and standardized instruction would do more to further the use of PBA (to the extent that it can and should be implemented) than any of the recommendations of the PBA working group. If OFPP cannot produce such a handbook, of top quality, then it should go to Congress and explain that PBA is unworkable.

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